Loval customers is the focus
85% of the impact is in the first 15% of the process
Over time requires innovation

Management's job is to optimize the entire system over time

Systems are management's responsibility
An aim - a system must have an aim - management sets the aim with input and can understand the aim
A system is a network of interdependent components that work together to try to accomplish an aim
At least 94% of troubles and possibilities for improvement belong to the system

You will only get what the system will deliver

Key points to remember:

An effective manager must understand how to study a system. He/she must enable employees to help study the system.
Every organization also needs to have an aim to become optimized.
85% of the impact of a process occurs (originates from) the first 15% of the process.
At least 94% of troubles and possibilities for improvement belong to the system.

The errors, problems, and success of any organization come from the system, not the people. If management wants to achieve different results, they must make changes in the system and not with the people.

You will only get what the system will deliver.

For example:

Understanding the principles of application of a system. Applicating a system has a different set of implications.
Most managers ask that people give me effort and even extra effort. Asking for extra effort from workers makes no sense when you understand the principles of application of a system.

The ability to make the necessary changes to create long-lasting and long-term improvement.

Management's job is to optimize the entire system over time. Over time, employees cannot improve the system on their own. Only management has the ability to make the necessary changes to create long-lasting and long-term improvement.

Thinking about whom to blame in this situation makes no sense because the industry is too complex.

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#1. Application for a System

Deming's Theory of Profound Knowledge

The Foundation for Transformation
Manage variation - reducing variation most often reduces costs
- Applies whether have data or not - without data must be guided by theory
- Must act according to type of cause and avoid remediating
  mistakes between special and common causes by use of control charts
- Use statistics to make the invisible visible - show patterns and types of variation
- Variation happens - it is the voice of the system or process

Key Points to Remember
- Increased customer and employee loyalty
- Improved quality

Increased Profit
- Reduced costs

Management must understand how to continuously shrink variation in the system. The outcome of this approach are:

By use of control charts effective managers also know when to take action and when to not take action. Studying variation (using statistics) enables a manager to know why the problems are and when to change the processes. An effective manager must learn to distinguish between special and common causes of variation causes waste. Employees do not enjoy working in an environment of waste and therefore employee loyalty to negatively impacted.

Effective managers must use statistics to make the invisible visible (i.e., show patterns and types of variation).

Variation is also the voice of profit. The greater the variation in your processes the less profit you make. Variation is a voice of the system. Customers will trust you. The less they trust the less chance they will return.

Variation is a voice of quality. It is also the voice of customer trust. The greater the variation in your processes the less chance your

restaurants? do you ever go back?

Imagining going to a restaurant and having a nice meal. The service was good and the atmosphere attractive. You decide to go back and bring a colleague. The second experience is different. The food was poor and the service slow. How does that impact your trust level with that restaurant?
Learning - Plan Do Study Act (PDCA) cycle

Management in one word is prediction.

Information is relevant so we need working and operational definitions for everything.

The problem is what we know that is not so.

Key Points to Remember:

- An ineffective method: The most effective method of learning is to use the Plan Do Study Act (PDCA) cycle. The most effective way to use the PDCA method is to ensure that each step is followed in order.

- Communication:
  - Knowledge must be shared in an instant to optimize learning. Any delays in sharing knowledge will negatively impact profit and loyalty.
  - Employees must be trained in all of these and it is management's job to provide the clarity and training. Clarity is power.

- Lack of clarity: There is no true value of anything measured or observed and so an organization needs working and operational definitions understood how to coach others to use it.

- Interpersonal relationships:

When knowledge and prediction increase knowledge, managers are more responsible. When knowledge and interpretation increase knowledge, managers are less responsible. When knowledge is based on theory that is tested over time, interpretation leads to excellence. When knowledge is based on theory that is not tested, it is what we know that is not so. The most effective learning leads to excellent questions that lead to effective learning.

Interpersonal relationships:

What prevents learning?

- Fear: The most effective managers look for ways to reduce fear in the organization and their customers.

- Interpersonal relationships:

The effective manager knows how to help his or her employees to learn more and more about their processes, themselves, and their customers.

The ability to learn faster and faster is the only sustainable strategic advantage for an organization. If you have knowledge you can make a prediction and then take effective action.
The Shewhart cycle - The Deming Wheel - Plan-Do-Check-Act

Plan

- Develop a plan for improving quality at a process level.

Do

- Execute the plan, first on a small scale.

Study

- Evaluate feedback to confirm or to adjust the plan.

Act

- Make the plan permanent or study the adjustments that were made.
Managers must drive out fear and build trust

Managers need to recognize differences in people and use such differences to optimize

Managers need to tap into intrinsic motivation (self-esteem, dignity, and desire to learn)

People want to do a good job - contribute - have pride and joy in their work

Key points to remember:

4. Employees have an opportunity to grow personally (learn and educate themselves in what interests them).

3. Employees have pride and joy in their work because they can see for themselves how they do a good job.

2. Employees experience meaning in his or her work.

1. Employees' basic needs.

The motivating manager recognizes there are four elements that provide the optimal environment for nurturing self-motivation.

A principal problem with our prevailing management approach is over reliance on extrinsic motivation that smothers intrinsic motivation.

Extrinsic motivation is from outside of a person. Intrinsic motivation originates from within, a fundamental or inherent part of the nature of a person.

What does their joy in work

The way they are best motivated

What things motivate them

Their needs

To manage people, we need to know something about:

why they behave the way they do.

How do people behave the way they do?

#4. Psychology
INVOLVE EVERYBODY. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

14. INSTITUTE EDUCATION. Institute a rigorous program of education and self-improvement for all employees responsible for quality, not numbers. Eliminate annual reviews and merit ratings.

13. REMOVE BARRIERS THAT ROB PRIDE. Remove barriers that rob people of their right to pride of workmanship. Supervisors should be accountable for numbers, not non-productive activity. Such accountability may create adversarial relationships since the bulk of the causes of low quality and low productivity belong to the system, and thus lie beyond the power of the work force. The worker must ask for zero defects and new levels of productivity.

12. ELIMINATE NUMBERS AND NUMERICAL GOALS. For both management and workers, substitute leadership, behind-the-scenes standards, goals, objectives, management by objectives, management by numbers.

11. ELIMINATE STICKERS, ETC. Eliminate slogans, exhortations, and targets for the work force asking for zero defects and new levels of productivity. Such slogans create adversarial relationships since the bulk of the causes of low quality and low productivity belong to the system, and thus lie beyond the power of the work force to eliminate. The worker must ask for zero defects.

10. BREAK DOWN DEPT. BARRIERS. Break down barriers between departments. People in research, design, sales, and production must work as a team to foresee problems of production and in use that may be encountered with the product or service.

9. DRIVE OUT FEAR. Drive out fear. Mutually share information of production and service workers, management is in need of security, as well as supervision of production and service workers.

8. INSTITUTE LEADERSHIP. The aim of leadership (supervision) should be to help people and machines do a better job. Supervision of productivity and thus productivity costs.

7. INSTITUTE TRAINING ON THE JOB. Improve constantly and forever the system of production and service to improve quality and productivity and thus productivity costs.

6. CONSTANT IMPROVEMENT: Improve constantly and forever the system of production and service to improve quality and productivity and thus productivity costs.

5. MOVE TOWARD A SINGLE SUPPLIER FOR ANY ONE ITEM. On a long-term relationship of loyalty and trust.

4. MIN. TOTAL COST: SINGLE SUPPLIERS. End the practice of awarding business on the basis of price tag. Instead, minimize total cost.

3. CEASE MASS INSPECTION. Cease reliance on mass inspection to achieve quality. (Some processes where the probability and cost of error is great may be exceptions; e.g., bank printing operations.) Emphasize the need for inspection on a mass basis by building quality responsibility, and take on leadership.

2. ADOPT A NEW PHILOSOPHY. We are in a new economic age. Western management must awaken to the challenge. Learn their responsibilities, and take on leadership.

1. CREATE CONSISTENCY OF PURPOSE. Create consistency of purpose toward improvement of product and service, with the aim to
7. Excessive Costs of Liability
6. Excessive Medical Costs
5. Running a Company on Visible Figures Alone (counting the money)
4. Mobility of Management
3. Evaluation of Performance, Merit Rating, or Annual Review
2. Emphasis on Short-Term Profits
1. Lack of Constancy of Purpose

The 7 Deadly Diseases